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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6350

April 28, 2000

FTC WORKSHOP ON "SLOTING FEES" — FEES THAT BAR SMALL MANUFACTURERS FROM STORE SHELVES, COSTING CONSUMERS BILLIONS OF DOLLARS

Dear Colleague:

The Committee on Small Business held a hearing on September 14, 1999, on the subject of slotting allowances, which are fees paid by manufacturers of consumer products to retailers for the privilege of placing and keeping their products on the retailers' shelves. The small business witnesses testified about the anti-competitive nature of these fees and about the harm they inflict on small enterprises and consumers.

The Committee is concerned that these fees have become a mechanism by which *dominant manufacturers can drive their competition out of the market simply by paying retailer's* for control of shelf space. Additionally, these fees permit retailers to demand increasingly significant payments up-front, which is harmful to both small manufacturers and small competing retailers. Witness after witness testified that the practice of charging slotting fees causes higher consumer prices while limiting consumer choice. Similarly, many small business owners who were interviewed by Committee staff spoke of marketplace abuses with dubious legality. The Committee is concerned that additional efforts are needed to monitor the grocery marketplace.

In response to the concerns raised by the Committee, the Federal Trade Commission (FTC) has undertaken an extensive investigation of these practices. As part of that effort, starting on the May 31, 2000, the FTC will host a two day workshop on "slotting allowances" and other potentially anti-competitive retail trade practices. This workshop presents manufacturers, retailers, academics, attorneys and public policy professionals with a unique opportunity to work directly with the antitrust regulators at the FTC to bring about some level of resolution to the problem.

We encourage you or your staff to attend the workshops or to direct the concerns of your *constituents to the FTC so that the input of as many interested parties as possible is included in* the FTC's efforts.

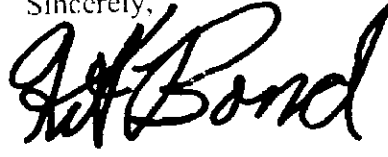
The Committee supports the efforts of the FTC to study this complex problem, and we look forward to some useful guidance from the FTC to the retail grocery industry on these matters.

If you have any questions, please do not hesitate to call either of us or have your staff contact Paul Conlon, with Senator Bond, at 4-5175, or Damon Dozier, with Senator Kerry, at 4-2809. The FTC contact is David Balto, Deputy Director of the Bureau of Competition, at 202-326-2881.



John F. Kerry
Ranking Member

Sincerely,



Christopher S. Bond
Chairman